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THE EDINBURGH INVESTMENT TRUST plc

DUNEDIN

THE EDINBURGH INVESTMENT TRUST plc 1990

ANNUAL REPORT

CONTENTS

DUNEDIN

AITC

FINANCIAL HIGHLIGHTS

1990

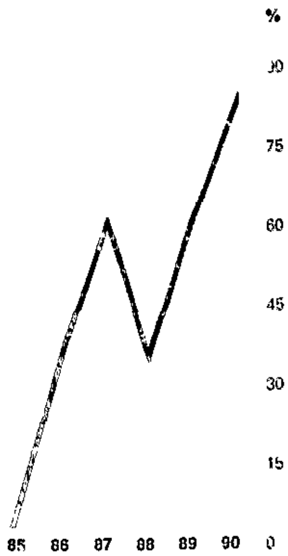
NET ASSET VALUE UP 12·2 PER CENT

ANNUAL DIVIDEND INCREASED BY 29·6 PER CENT

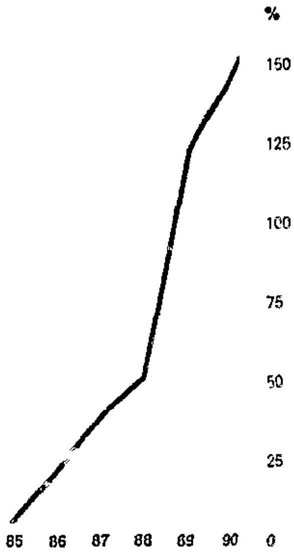
SHARE PRICE UP 14·1 PER CENT

ADDITIONAL £60M DEBENTURE ISSUE

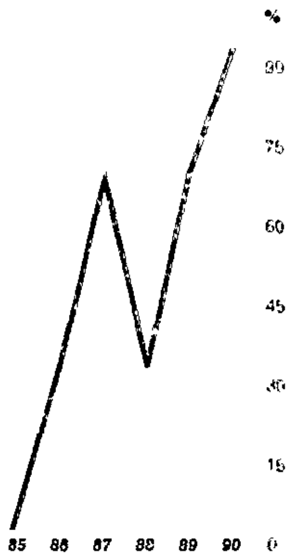
FIVE YEAR RECORD



NET ASSET VALUE



ANNUAL DIVIDEND



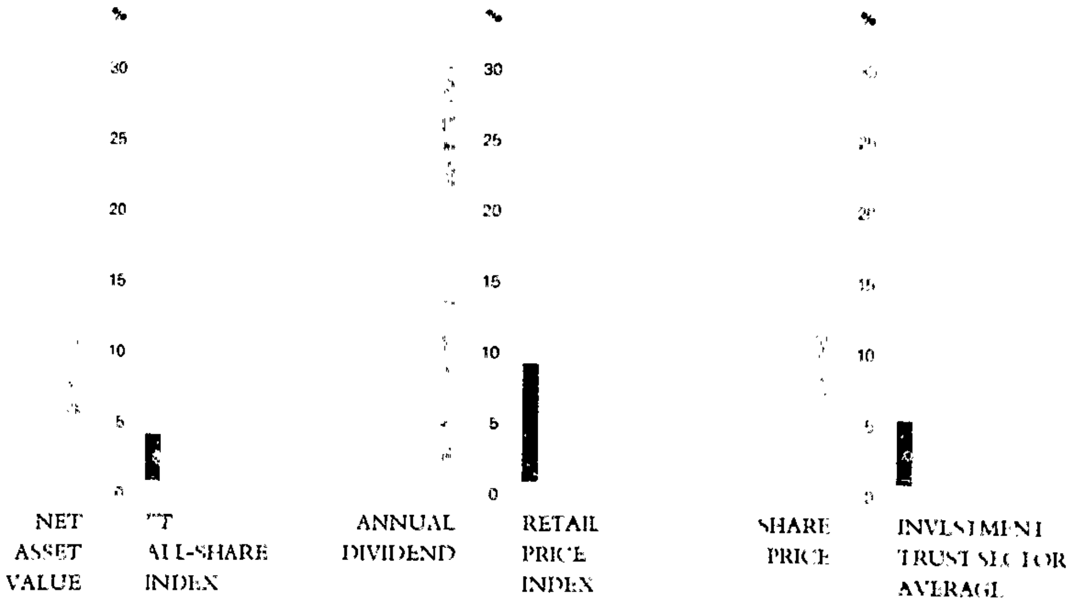
SHARE PRICE

PERCENTAGE INCREASE FROM 31 March 1985—31 March 1990

OBJECTIVES

THE ACHIEVEMENT OF CAPITAL GROWTH AT A HIGHER RATE
THAN THE FT ACTUARIES ALL-SHARE INDEX
AND DIVIDEND GROWTH ABOVE THE RATE OF UK INFLATION.

MEETING THE OBJECTIVES



PERCENTAGE INCREASE FROM 31 March 1989–31 March 1990

CHAIRMAN'S STATEMENT

Results – The second century of your company has started successfully with the Board able to report an excellent set of results for the year. If our recommendation is accepted, the dividend will rise by almost 30 per cent over last year's basic dividend, and by 15 per cent over the total including the special centenary payment.

The net asset value of the ordinary shares increased by 12·2 per cent, substantially outperforming the 3[illegible] cent rise in the FT Actuaries All-Share Index. The current financial year has also started well, with a substantial profit being seen on the company's holding of Invergordon Distillers, whose flotation has been announced since the year-end. We participated in the management buy-out of the company in 1988.

Debenture Stock – In December 1989 a further £60 million tranche of the existing 11½ per cent Debenture Stock 2014 was issued at an effective interest rate of 11·44 per cent, taking the size of the issue to £100 million. Your Board is committed to the use of gearing to improve returns to shareholders and will make full use of these available funds as soon as it believes the time is right.

Dunedin Fund Managers – The investments of the Trust continue to be managed by Dunedin Fund Managers. The merger of Dunedin Fund Managers and British Linen Fund Managers last October has now been in place for over six months and is working very smoothly. Following the transaction Dunedin continues to operate as an independently managed company. We realised capital gains of over £[illegible] million on the shares sold and continue to hold 28·8 per cent of DFM Holdings Limited, now revalued to take some account of the recent transaction.

Savings Plan and PEP – The PEP which was launched only in February has attracted a very large number of investors. For the current year your company will qualify for investment to the extent of £900 in the PEP scheme since your Board has decided to retain maximum flexibility in investment policy and is unwilling to commit your company to maintaining at least 50 per cent of their funds in UK ordinary shares. Meanwhile the Savings Plan continues to be supported by a growing number of private investors.

Outlook – In the past year your company's revenue benefited both from the special Dunedin dividend and from high rates of interest. The former benefit will not be repeated in the years ahead, but the revenue reserve, including this year's transfer, will be available to maintain dividend growth, albeit at a more modest rate if revenue is less buoyant in future.

Annual General Meeting – The attendance at last year's Centenary Annual General Meeting was most encouraging with 550 shareholders meeting the Board. This year I extend an equally warm welcome to you to attend the meeting in the Caledonian Hotel.

I. R. Guild

Chairman

21 May 1990

INVESTORS' INFORMATION

Until recently the fact that investment trusts were the ideal way for private individuals to participate in the stockmarkets of the world was a well guarded secret. The ability to buy assets at below their current market value and have them managed for a low fee by professional managers with good long term records is however being appreciated by an increasing number of investors.

£1,000 invested in The Edinburgh Investment Trust on 1 April 1985 would, after five years, have been worth £2,180–well ahead of the highest rate available from Building Societies*. The dividend has also risen dramatically–from 2·85p per share in 1985 to its proposed level of 7·0p in 1990–an average annual growth rate of nearly 20 per cent.

SO HOW DO YOU INVEST?

Ordinary Shares–Shares can be bought or sold directly through a stockbroker or indirectly through a lawyer, accountant or other professional advisor.

Two other methods which are becoming increasingly popular are the Dunedin Investment Trusts Share Plan and the Dunedin Investment Trusts Personal Equity Plan.

Dunedin Investment Trusts Share Plan–Originally introduced in January 1987 as the Dunedin Investment Trust Savings Plan, the Plan has attracted over 1,900 investors to The Edinburgh Investment Trust and is being relaunched in 1990 with a new name, even lower costs and certain new features.

The choice of investment options is (i) monthly savings with a minimum of £30 and/or (ii) lump sums with an initial minimum of £250 and thereafter £30. Lump sums of £250 or more are invested twice weekly. Existing shareholders can also join the Plan and have their ordinary dividends reinvested.

Dividends from shares within the Plan can either be reinvested or paid direct to Plan members or mandated as required.

*Source: Micropal. Basis 1 April 1985–2 April 1990. Mid-market share price, net income reinvested, in both cases.

Other than Government Stamp Duty of 0·5 per cent which is currently payable on all share purchases there is no charge for buying, selling or holding shares through the Plan.

Dunedin Investment Trusts Personal Equity Plan

The Dunedin Investment Trusts PEP was launched in February 1990 and already has attracted over 750 investors to The Edinburgh Investment Trust. The advantage to an investor is that the income and capital growth from all such investments held within a PEP are free from Income Tax on dividends and free from Capital Gains Tax. You can invest £6,000 a year in a PEP of which £900 can be invested in The Edinburgh Investment Trust. For the remaining £5,100 the Dunedin PEP provides a managed share portfolio.

There is a set up cost of £24 (plus VAT) and an annual charge of 0·5 per cent (plus VAT) on the investment trust element, which is considerably cheaper than most other PEPs. If your Dunedin PEP includes a managed share portfolio there is an annual charge of 1·0 per cent (plus VAT) on this element.

The Dunedin Savings Plan and PEP marketing team

Keeping you Informed - The share price of The Edinburgh Investment Trust appears under the 'Investment Trusts' in the Financial Times, The Daily Telegraph, The Times, The Guardian, The Independent, The Scotsman, The Glasgow Herald and the Evening Standard. You can also obtain the latest share price by phoning FT City-Line on **0836 432422**.

The daily net asset value is available on a recorded telephone message by telephoning **0382 480838**.

SHAREHOLDERS' ANALYSIS

[illegible]	*No of Holders*	*% of Total*
1-5,000	13,184	71·5
5,001-25,000	4,536	24·6
Over 25,000	713	3·9
	18,433	**100·0**

[illegible]	*No of Holders*	*% of Total*
UK Individuals (including Savings Plan)	16,293	88·4
Insurance Companies and Pension Funds	80	0·4
Banks and Nominees	1,485	8·1
Local Authorities	22	0·1
Other Institutions	553	3·0
	18,433	**100·0**

If you would like a copy of the [illegible] produced in 1989 to mark the first [illegible] of The Edinburgh Investment Trust please [illegible] Dunedin.

This year's Annual General Meeting will be held in the Caledonian Hotel, Princes Street, Edinburgh on 4 July 1990 at 12 noon, to be followed by modest refreshments.

Please remember that the price of shares and the income from them can go down as well as up and you may not be able to recover the full amount invested.

For information on the Share Plan and the PEP please contact:

Morag Kinnison
Marketing Department
Dunedin Fund Managers Ltd
Dunedin House
25 Ravelston Terrace
EDINBURGH EH4 3EX
Telephone: 031-315 2500
or Free on 0800 838993 (24 Hours)

Warrant Holders–If you hold Warrants in The Edinburgh Investment Trust you will have received a letter outlining the action you should take before 31 July 1990. If you have any queries relating to the Warrants please contact the Registrar Department at Bank of Scotland or Dunedin as soon as possible.

FINANCIAL CALENDAR

Announcements, ordinary share dividend payments and the issue of accounts and interim reports may normally be expected in the months shown below:

[illegible]–Preliminary figures and final dividend for year announced

[illegible]–Annual report and accounts published

[illegible]–Annual General Meeting and final dividend payable

[illegible]–Interim dividend announced

[illegible]–Interim report for half year to 30 September published

[illegible]–Interim dividend payable

Dividends on the preferred stock are payable half-yearly on 15 March and 15 September.

Debenture interest is payable half-yearly as undernoted:

[illegible]
1 May and 1 November

[illegible]
15 January and 15 July

[illegible]
5 April and 5 October

[illegible]
30 June and 31 December

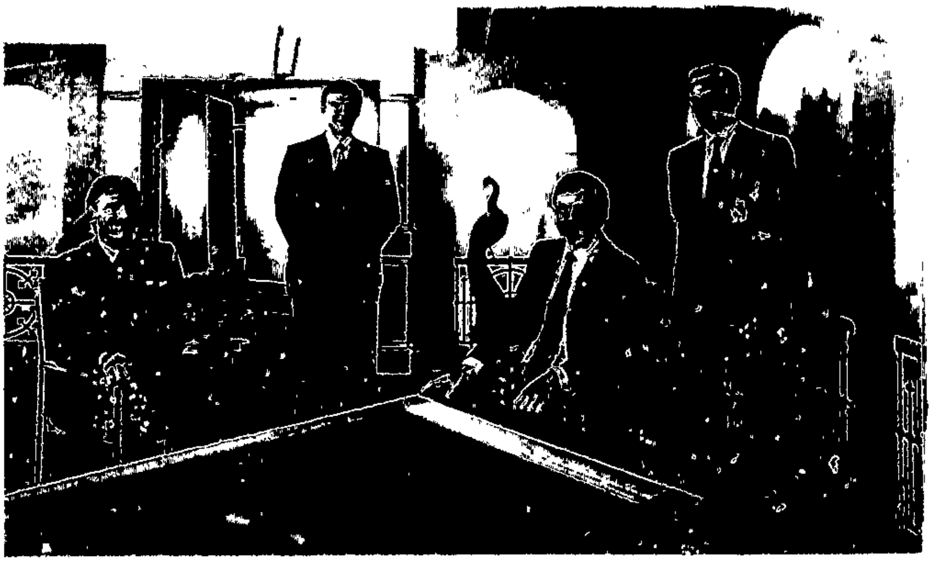
MANAGER'S REVIEW

The company's 71 per cent exposure to U.K. equities at 31 March 1989 was the highest year end figure for some time but the deteriorating U.K. economic outlook encouraged significant profit taking during the year under review. The increased attraction of overseas markets allied to weaker sterling led us to increase the overseas weighting and at 31 March 1990 the balance of the portfolio was 61 per cent in the UK and 39 per cent overseas.

Despite this increase in the exposure to overseas markets, where dividend yields tend to be lower than in the U.K., the company's revenues showed a substantial increase. This reflected good dividend increases from stocks in most world markets and the fact that the proceeds of the debenture issue were on deposit for the last three months of the year. In addition a substantial special dividend was received from DFM Holdings Limited as a consequence of its merger with British Linen Fund Managers Limited.

Successful asset allocation amongst world equity markets is critical in achieving the capital growth element of the company's objectives. The move from the U.K. into overseas markets was a success in that European and North American markets substantially outperformed the British market. Japan was the exception, as a consequence of its collapse in the last quarter of the financial year, but the performance of our Japanese portfolio far exceeded that of the market. Stock selection was good in all world markets with the exception of France where a heavy weighting in the large French industrials caused an underperformance in the total European portfolio. However, these stocks showed a strong recovery towards the end of the year.

While the Trust has not committed further funds to mezzanine financing, the success of the first venture was reflected in the listing of Invergordon Distillers since the Trust's year end. This is evidenced by the fact that on flotation the Trust's holdings were worth £25·5 million against a cost of £10·5 million. The equity was valued by the Directors at 31 March 1990 at £22·50 per share and the listing took place on 11 May 1990 at an equivalent price of £40·50. The opportunity was taken to sell half the equity holding on listing, while all holdings other than ordinary shares were repaid to the Trust.



Ian Massie leads a team of geographic specialists responsible for The Edinburgh Investment Trust, left to right: Peter Tait (Europe), Nigel Barry (Far East), Ian Massie (UK), David McCraw (North America).

Intermediate Capital Group Limited investing in the U.K. and the Kleinwort Benson Mezzanine Fund operating in the U.S. continue to invest successfully in mezzanine finance. The Trust is looking for attractive opportunities to invest directly in mezzanine finance.

UNITED KINGDOM

The U.K. portfolio rose by 12.9 per cent during the year, substantially ahead of the 3.6 per cent rise in the F.T. Actuaries All-Share Index.

Having taken full advantage of the market's strength in the first part of the financial year, we became increasingly concerned about the U.K.'s economic prospects, particularly relating to inflation and interest rates, and consequently took over £100 million from the portfolio during the period to the end of December. Profits were taken in sectors where the higher interest rates were likely to have their worst effects, including property and building materials, and in some of the major consumer companies whose ratings had reached excessive levels.

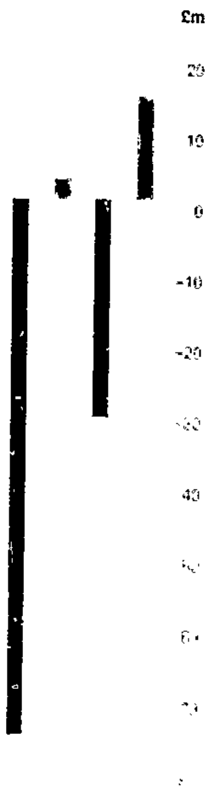
The resurgence in the fortunes of the whisky industry was reflected in a very strong performance by the sector, notably for Guinness, the industry leader, and Macallan-Glenlivet which is the largest holding in the portfolio. Some profits were taken in Macallan-Glenlivet, Guinness and Highland Distilleries during the year but a substantial stake has been retained in the sector as we believe that the prospects remain attractive.

The large holdings in the oil sector contributed to the portfolio's outperformance as did the substantial stakes in Reuters and B.A.T. Industries and the increase in the value of DFM Holdings, where our remaining investment has been revalued.

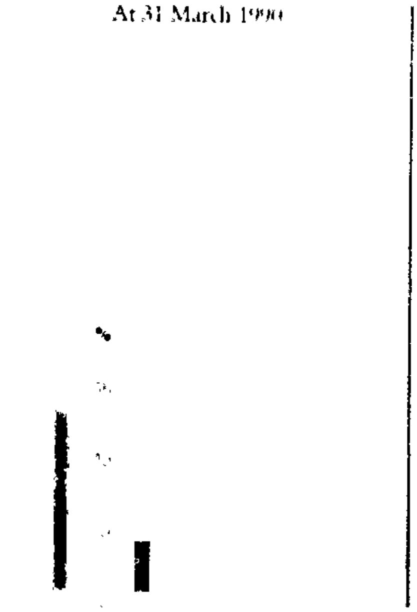
While the short term prospects for the U.K. do not look good with a weakening economy and rising inflation, the low valuation of the equity market on a prospective price earnings ratio of 10 and a current dividend yield of 5 per cent appears to discount these problems. Interest rates and inflation should be moderating by the end of 1990 and prospects for growth in corporate profits and dividends in 1991 appear reasonable. We continue to see attractions in the oil, banking and capital goods sectors where valuations are low and there is the prospect of good dividend growth.

Macallan-Glenlivet
Guinness
Invergordon Distillers Group
B.A.T. Industries
LASMO
BTR
Shell Transport and Trading
British Petroleum
Barclays
Lloyds Bank
British Steel
Highland Distilleries
Cable & Wireless
London and Manchester Group
British Airways

FIFTEEN LARGEST HOLDINGS
At 31 March 1990



QUARTERLY
NET PURCHASES
AND SALES
31.3.89 – 31.3.90



FUND INDEX
PERFORMANCE

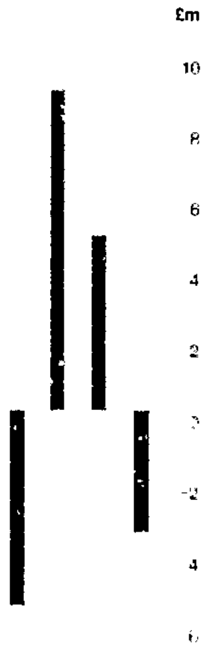
[illegible]	KeyCorp
[illegible]	Dunedin America Trust
[illegible]	Dreyfus Corp
[illegible]	Boeing
[illegible]	Dunedin Berkeley Dev. Cap.
4,300	Wal-Mart Stores
4,197	Atlantic Richfield
3,922	Schering Plough
3,919	Cooper Industries
3,729	Mobil
3,653	Tenneco
3,474	United Technologies
3,405	KB Mezzanine Fund
3,374	Walt Disney
[illegible]	General Mills

FIFTEEN LARGEST HOLDINGS
At 31 March 1990

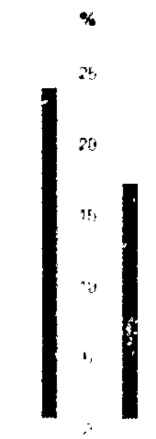
The North American portfolio rose by 23 per cent during the year compared to an increase of 16·6 per cent in the FT North American Index in sterling terms.

The weighting during the year was increased with net purchases of £5·1 million. Within the portfolio, profits were taken in sectors that had shown strong performance over recent years such as the consumer and financial areas. The funds were reinvested in those sectors which we believe will be the leaders over the next five years, including the energy and industrial areas of the economy. Substantial gains were seen during the year through Atlantic Richfield, Mobil and Tenneco in the energy area, Cooper Industries and Westinghouse in electrical equipment and Boeing and United Technologies in aerospace.

Throughout the 1980s the US economy was driven by the ready availability of money which fuelled a consumer boom and a high degree of takeover activity. We believe that the early 1990s will see the economy being driven more by the industrial sector and by exports encouraged by the improvement in US competitiveness in international markets. The emphasis of the portfolio will continue to move towards lower rated stocks in the manufacturing and general industrial sectors from the higher priced consumer stocks where profits growth will become increasingly difficult to achieve. Overall we are unlikely to inject further funds into North America at present as the equity market looks fully valued and economic growth is likely to be sluggish at best.



QUARTERLY NET PURCHASES AND SALES
31.3.89–31.3.90



FUND INDEX PERFORMANCE
31.3.89–31.3.90

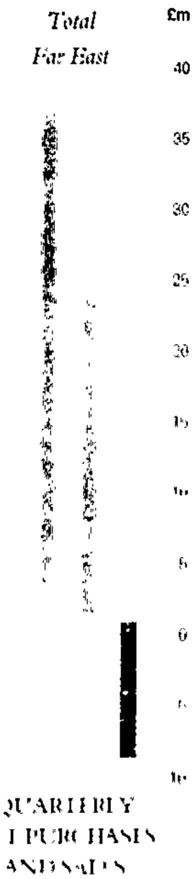
FAR EAST

JAPAN

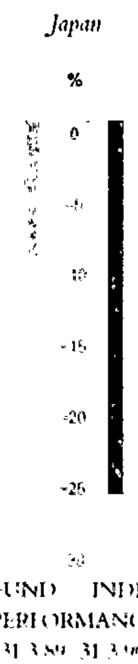
As a consequence of its plunge in the quarter to 31 March 1990, Japan was by far the worst performing major world market during the year. The FT Japanese Index fell by 26·5 per cent in sterling terms; however, the company's Japanese portfolio performed substantially better than the index, showing a decline of only 9·8 per cent.

Following the improvement in the political environment in the summer of 1989 over £50 million was added to the Japanese portfolio emphasing stocks with relatively low price earnings ratios and good profits growth prospects. These were mainly in the electrical sector and the area of engineering involved in improving industrial productivity. A number of these stocks, for example Sony, Hitachi, Daifuku and Fanuc actually showed substantial price rises over the year. The domestic economy remains strong in Japan and the holdings in the retail and construction industries also contributed to the portfolio's outperformance of the index.

The sharp rise in Japanese interest rates and the accompanying weakness of the Yen have produced fears of rising inflation and cast doubts on the valuation of the equity market. Over recent months we have reduced the Japanese portfolio and until the inflation and interest rate picture is clearer we are unlikely to add to the Japanese weighting. The portfolio will continue to be concentrated in the electrical, capital expenditure and domestic growth sectors of the economy where the best values still lie.



QUARTERLY
NET PURCHASES
AND SALES
31.3.89–31.3.90



FUND INDEX
PERFORMANCE
31.3.89–31.3.90

OTHER FAR EAST

The longer term prospects for economic growth in the smaller markets of the Far East look excellent, particularly in Malaysia, Singapore and Thailand. In addition, while political uncertainties will continue to overhang Hong Kong, the market rating is discounting these particularly in the case of companies with substantial international involvement. We intend to add to the company's weighting in the smaller Asian markets and are diversifying into a number of the smaller fast growing companies.

Dunedin Far East Trust
Dunedin Japan Smaller Companies Trust
Sekisui Chemical
Sharp Corp
Hitachi Limited
Daifuku
Chugai Pharmaceutical
Ito Yokado
Fanuc Co
Lend Lease
Orix Corp
Takasago Thermal
Sumitomo Corp
Okumura Gumi
Sumitomo Bank

FIFTEEN LARGEST
HOLDINGS
At 31 March 1990

CONTINENTAL EUROPE

Although the European portfolio produced the highest absolute return in sterling of 27 per cent during the year, it underperformed the FT European Index, which rose by 37 per cent. The underperformance was the consequence of an overweighting in French industrial blue chip companies which had a very difficult year while the German and other European stocks performed satisfactorily.

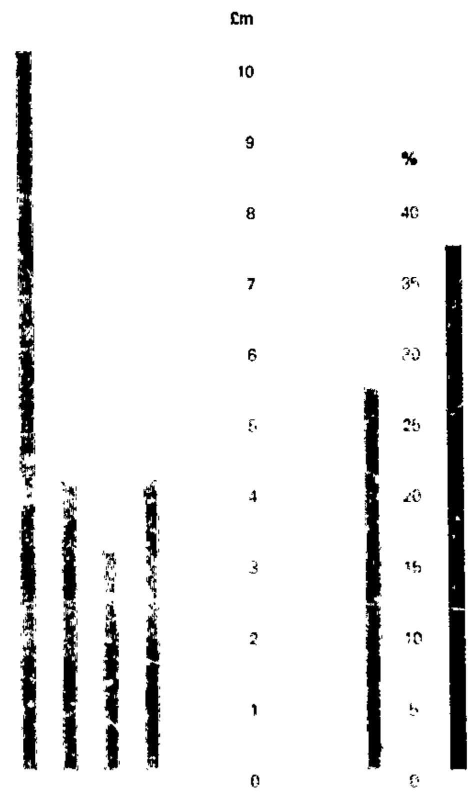
A net investment of £22·5 million was made in European stocks during the year, reflecting our belief that the combination of the '1992 effect' and the developments within Eastern Europe would provide the impetus for strong growth in corporate profits and stock markets over the next few years. The portfolio was further diversified across European markets with holdings in Italy, Spain and Norway being added to the list of French, German, Dutch and Swiss stocks.

Veba
Siemens
Nestlé
Commerzbank
Philips
Mannesman
Cie Generale d'Electricite
Norsk Hydro
Dunedin European Growth Trust
Peugeot
Repsol
STET
Cie Financiere de Suez
St Gobain
BSN

FIFTEEN LARGEST HOLDINGS
At 31 March 1990

A number of cross-border sectoral themes were pursued in telecommunications, power engineering, electricity supply and oil and gas. Substantial gains were achieved as a result in CGE and Elf Aquitaine in France, Siemens and Veba in Germany, and SIP and STET in Italy. The disappointing performance of the French blue chips has reversed and Rhone-Poulenc, CMB Packaging, L'Oreal and Lyonnaise des Eaux rose sharply towards the end of the year.

Following the strength of European markets over the past few months a period of consolidation is likely. However, the attractions of Continental Europe with the prospect of the development of the single European market theme and the economic expansion of Eastern Europe are longer term in nature. Above average economic growth with reasonable levels of inflation should continue over a number of years. We intend to expand the fund's investment in Europe with a continuing emphasis on industries involved in infrastructural development–telecommunications, power generation and supply, environmental control–and in the expansion of consumer expenditure.



QUARTERLY NET PURCHASES AND SALES
31.3.89–31.3.90

FUND INDEX
PERFORMANCE
31.3.89–31.3.90

ANALYSIS OF VALUATION

EQUITIES & CONVERTIBLES	UK £000	North America £000	Japan £000	Other Areas £000	Total £000	1990 %	1989 %
Capital goods							
Building	11,362	—	12,849	—	24,211	3·3	3·3
Electricals	10,458	3,323	10,464	17,431	41,676	5·6	5·3
Engineering	33,154	15,541	10,896	12,313	71,904	9·6	7·5
	54,974	**18,864**	**34,209**	**29,744**	**137,791**	**18·5**	16·1
Consumer goods							
Breweries, wines and spirits	73,451	—	2,023	—	75,474	10·1	8·7
Retail trade	12,192	6,477	6,930	2,423	28,022	3·8	5·1
Food and health products	32,652	10,977	3,578	14,425	61,632	8·3	9·2
Textiles	4,558	—	1,921	—	6,479	0·9	1·2
Packaging and Paper	7,013	—	652	4,689	12,354	1·6	0·9
Leisure	18,203	3,374	—	—	21,577	2·9	3·8
Newspapers and Publishers	—	—	—	1,690	1,690	0·2	—
	148,069	**20,828**	**15,104**	**23,227**	**207,228**	**27·8**	28·9
Financial							
Banks	35,690	11,498	4,976	14,979	67,143	9·0	5·5
Insurance	27,605	—	2,408	2,988	33,001	4·4	6·6
Investment and Unit Trusts	13,412	15,731	12,766	3,131	45,040	6·1	6·0
Property	9,986	3,010	1,901	4,667	19,564	2·6	4·9
Miscellaneous	9,487	9,846	4,245	1,029	24,607	3·3	3·7
	96,180	**40,085**	**26,296**	**26,794**	**189,355**	**25·4**	26·7
Other groups							
Agencies	7,770	—	—	—	7,770	1·1	3·4
Chemicals	8,709	2,900	—	4,331	15,940	2·1	2·0
Conglomerates	36,309	—	—	1,601	37,910	5·1	3·4
Shipping	12,671	2,193	1,900	189	16,953	2·3	2·6
Oil and Gas	44,209	11,715	1,237	4,989	62,150	8·3	6·5
Mining	5,320	—	—	80	5,400	0·7	1·7
Telephone and Utilities	19,945	2,292	—	11,527	33,764	4·5	3·2
Miscellaneous	20,314	6,213	2,988	1,613	31,128	4·2	5·5
	155,247	**25,313**	**6,125**	**24,330**	**211,015**	**28·3**	28·3
Total equities (incl. conv.)	**454,470**	**105,090**	**81,734**	**104,095**	**745,389**	**100·0**	100·0
Variable interest stocks	5,285	—	—	—	5,285		
Preference shares	12,743	—	—	—	12,743		
Fixed assets	3,933	—	—	—	3,933		
Net current assets	77,782	6,847	11,861	4,209	100,699		
Debentures and preferred stock	(107,340)	—	—	—	(107,340)		
Foreign currency loans	—	(12,151)		—	(12,151)		
Ordinary shareholders' funds	**446,873**	**99,786**	**93,595**	**108,304**	**748,558**		

Convertibles amount to £52,339,613 (1989 £70,967,393)

LONG TERM RECORD

ADJUSTED TO PRESENT CAPITAL

Year ended 31 March	*Total assets less current liabilities £000*	*Preferred stock debentures and other borrowings £000*	*Ordinary shareholders' funds £000*	*Net earnings for ordinary shareholders £000*	*Per ordinary share* *Net asset value p*	*Earnings p*	*Dividend p*
1980	105,632	18,527	87,105	3,176	47·6	1·74	1·52
1981	148,483	17,579	130,904	3,397	71·6	1·85	1·78
1982	149,874	18,667	131,207	3,838	71·7	2·10	1·98
1983	219,682	19,761	199,921	4,177	109·3	2·28	2·18
1984	411,230	54,977	356,253	7,762	124·5	2·71	2·50
1985	502,891	86,195	416,696	8,485	145·6	2·97	2·85
1986	610,408	58,796	551,612	9,800	192·8	3·42	3·30
1987	721,618	66,014	655,604	10,502	228·9	3·67	3·75
1988	631,187	72,992	558,195	11,810	194·8	4·12	4·15
1989	743,128	77,453	665,675	19,372	232·2	6·76	6·10*
1990	**868,049**	**119,491**	**748,558**	**22,520**	**260·5**	**7·84**	**7·00**

*The 1989 dividend includes the non-recurring centenary dividend of 0·7p per share.

INVESTMENT CHANGES

Equities	*Valuation at 31.3.89 £m*	*Net Purchases (Sales) £m*	*Appreciation £m*	*Valuation at 31.3.90 £m*
UK	479·4	(89·4)	64·5	454·5
USA and Canada	82·9	5·1	17·1	105·1
Japan	50·6	49·2	(18·1)	81·7
Other Far East	13·9	2·0	0·9	16·8
Germany	10·6	5·1	8·9	24·6
France	31·1	(11·0)	5·7	25·8
Other Europe	5·8	28·4	2·7	36·9
Total	674·3	(10·6)	[illegible]	745·4

LIST OF HOLDINGS

United Kingdom	£000's
Macallan-Glenlivet	24,090
Guinness (Ordinary, convertible preference)	23,229
Invergordon Distillers Group (Ordinary, Convertible, Preference and Mezzanine Debt)	19,328
B.A.T. Industries	17,314
LASMO (Ordinary & Oil Production Units)	15,121
BTR	14,875
Shell Transport and Trading	14,820
British Petroleum	14,268
Barclays	13,795
Lloyds Bank	13,116
British Steel	11,600
Highland Distilleries	9,728
Cable and Wireless (Ordinary & Convertible Loan Stock)	9,250
London and Manchester Group	9,060
British Airways (Ordinary & Convertible Capital Bond)	8,675
North West Water	8,050
DFM Holdings	7,946
Reuters Holdings	7,770
Tesco	7,425
Tate & Lyle (Convertible Preference)	7,315
Genoa Trust	7,023
Bank of Scotland (Preference Stock)	6,900
Polly Peck International	6,900
Marks & Spencer	6,895
Carlton Communications (Ordinary & Convertible Preference)	6,876
Abbey National	5,835
Scottish & Newcastle Breweries	5,740
Sun Alliance Group	5,586
Lonrho	5,513
T.I. Group	5,513
Hawker Siddeley	5,508
British Aerospace (Convertible Preference)	5,493
BET	5,472
RTZ	5,320
Bowater Industries	5,313
Hanson	5,130
Macfarlane Group	5,076
Guardian Royal Exchange	5,062
RMC Group	4,992
General Electric Company	4,959
Ladbroke Group	4,864
Dundee & London Investment Trust	4,482
Courtaulds	4,381
Fisons	4,368
Imperial Chemical Industries	4,338
SmithKline Beecham	4,304
Peninsular & Oriental Steam	3,996
Prudential Corporation	3,980
Legal & General Group	3,917
Land Securities	3,888
London & Metropolitan	3,790
GKN	3,734
Rolls-Royce	3,720
Redland	3,582
Lucas	3,105
Robert Fleming Holdings	2,944
Rugby Group	2,788
Sidlaw Group	2,759
Kingfisher	2,679
Water Holding Companies Package Units	2,645
Ratners Group	2,618
Mecca Leisure Group (Convertible Preference)	2,537
Intermediate Capital Group (Preference & Convertible Ordinary)	2,503
Christian Salvesen	2,340
Property Security Investment Trust	2,308
Midsummer Leisure	2,226
Stoddard Sekers International	2,035
Whatman	1,700
Quadrant Group	1,700
Stirling Group	1,675
British Fuels Group (Mezzanine Debt & Ordinary)	1,500
North of Scotland Investment Company	1,190
Courtaulds Textiles	848
Melville Street Investments (Ordinary & Warrants)	716
Local Stores (Ordinary & Loan Stock)	392
Sifam (Convertible Preferred)	94
	472,498

LIST OF HOLDINGS

North America	£000's
KeyCorp	8,726
Dunedi.. America Trust	6,546
Dreyfus Corp	6,527
Boeing	5,230
Dunedin Berkeley Dev. Cap. (Preferred)	4,962
Wal-Mart Stores	4,300
Atlantic Richfield	4,197
Schering Plough	3,922
Cooper Industries	3,919
Mobil	3,729
Tenneco	3,653
United Technologies	3,474
Kleinwort Benson Mezzanine Fund	3,405
Walt Disney	3,374
General Mills	3,349
Westinghouse Electric	3,322
Great Northern Iron Ore	3,165
Bristol-Myers Squibb	3,109
International Income Prope ·y	3,010
Allied Signal	2,917
Monsanto	2,900
Pitney Bowes	2,836
Toronto-Dominion B: .	2,772
Bell Atlantic	2,292
Consolidated Rail	2,193
Charming Shoppes	2,177
U.S. Ventures	1,295
Founders Court Fund	937
Berkeley Development Capital	818
Amperif (Preferred Stock)	638
Pilling	597
Industrial Capital	304
Capital Controls	213
Advent Atlantic Fund	146
Snyder Oil	119
Warrior Industries	17
	105,090

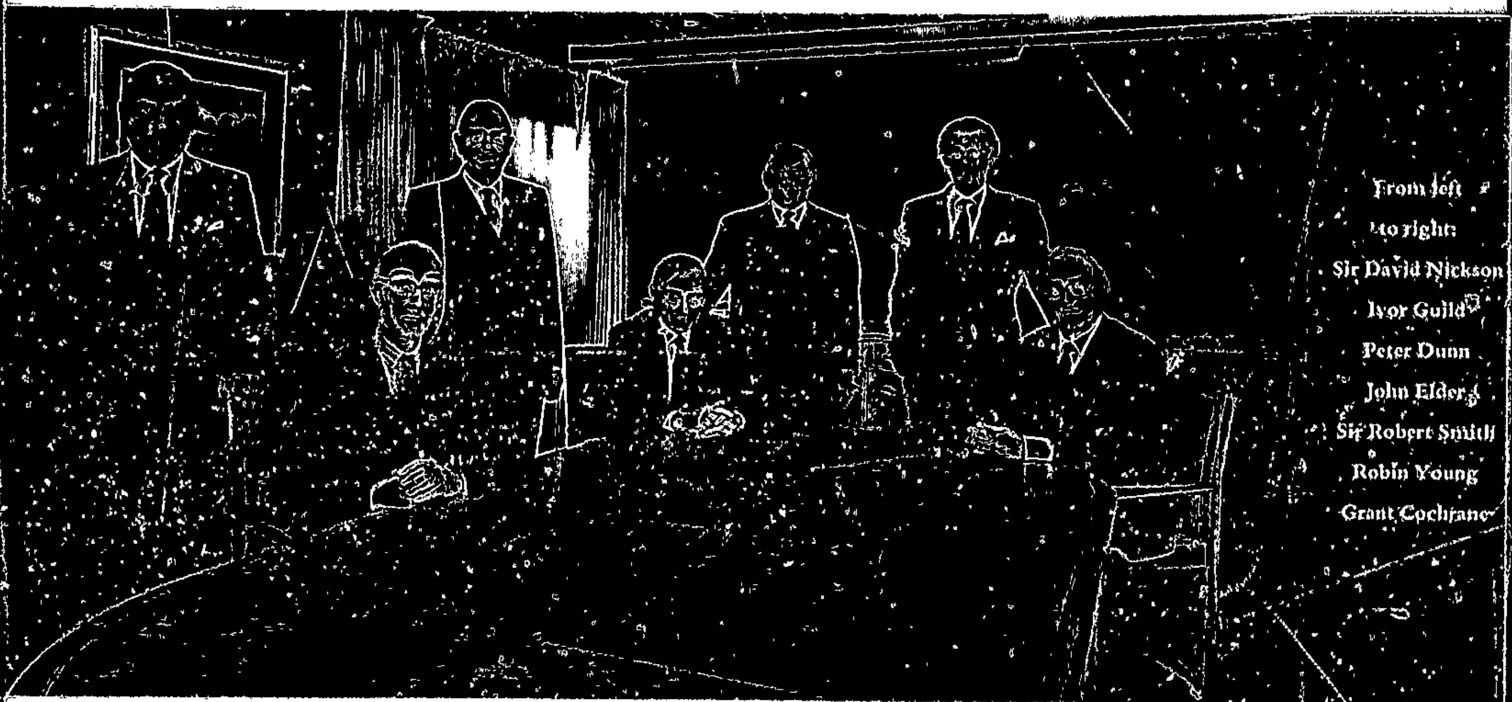
Far East	£000's
Dunedin Far East Trust	6,689
Dunedin Japan Smaller Cor panies Trust	5,445
Sekisui Chemical	4,250
Sharp Corporation (Convertible Bond)	4,025
Hitachi Limited	3,692
Daifuku	3,691
Chugai Pharmaceutical	3,578
Ito Yokado	3,474
Fanuc Co	3,289
Lend Lease	3,236
Orix Corporation	3,128
Takasago Thermal	3,018
Sumitomo Corp	2,988
Okumura Gumi	2,938
Sumitomo Bank (Convertible Bond)	2,690
Sony Corporation	2,457
Taisho Marine & Fire Insurance	2,408
Marui	2,390
Komatsu	2,372
Mitsubishi Trust & Banking (Convertible Bond)	2,286
BTR Nylex	2,192
Nippon Seiko	2,150
Development Bank of Singapore	2,075
Kirin Brewery	2,023
Toray Industr es	1,921
Kamigumi	1,900
Mitsui Re?l Estate	1,900
Kubota	1,766
Hong Kong Electric Holdings	1,717
Singapore Press Holdings	1,690
Swire Pacific	1,613
Hong Kong Land Holdings	1,441
Showa Shell Sekiyu	1,237
Amcor (Convertible Notes)	1,233
Suzutan	1,065
Malayan Banking	998
Nomura Securities	750
JF Japan Venture 1	692
Mitsubishi Paper Mills	652
Daiwa Securities (Warrants)	367
Kyocera	290
Daiwa House (Warrants)	271
Hong Kong Telecom (Warrants)	270
The Wharf Holdings (Warrants)	190
Brazil Fund	136
City Resources Asia	80
	98,593

LIST OF HOLDINGS

Continental Europe	£000's
Veba	5,432
Siemens	5,078
Nestlé	5,040
Commerzbank	3,832
Philips	3,827
Mannesman	3,623
Cie. Generale d'Electricite	3,094
Norsk Hydro	3,078
Dunedin European Growth Trust	2,995
Peugeot	2,888
Repsol	2,865
STET	2,841
Cie. Financiere de Suez	2,657
St Gobain (Ordinary & Warrants)	2,532
BSN (Ordinary & Warrants)	2,514
Iberduero	2,318
Buhrmann Tetterode	2,222
Lyonnaise des Eaux	2,209
SIP	2,172
Elf Aquitaine	2,123
Sandoz	2,000
Banque Nationale de Paris	1,983
Mediobanca	1,837
Kaufhof	1,706
Alba	1,601
Banco Popular Espanol	1,598
L'Oreal	1,594
Allianz (Warrants)	1 553
Aegon	1,435
Rhone-Poulenc	1,254
CMB Packaging	1,234
Schering (Warrants)	1,184
Asko	1,090
Hoesch	1,077
Premafin	1,029
Casino (Ordinary & Warrants)	1,004
Yves St Laurent (Ordinary & Warrants)	717
	87,236

BOARD OF DIRECTORS

Ivor R Guild, CBE, WS, (66), was appointed to the board in 1972 and has been Chairman since 1974. He is senior partner of Shepherd & Wedderburn, Solicitors. Mr Guild is Chairman of Dunedin Income Growth Investment Trust and Dunedin Worldwide Investment Trust and is a director of a number of other companies.



W G Cochrane, CA, (54), was appointed to the board in 1977. He is a non-executive director of LASMO PLC, Macallan-Glenlivet plc and a number of other companies. He was formerly Chairman of Dunedin Fund Managers Limited.

P H Dunn, LLB, FCA, FCIS, (66), was appointed to the board in 1983. He is also a director of Property Security Investment Trust PLC.

John Elder, FFA, (53), was appointed to the board in 1975. Mr Elder is Managing Director of Scottish Widows' Fund & Life Assurance Society.

Sir David Nickson, KBE, DL, (60), was appointed to the board in 1983. Sir David is a director and former Chairman of Scottish & Newcastle Breweries and Chairman of the Scottish Development Agency. He is a director of a number of other companies.

Sir Robert Smith, CBE, MA, LLD, CA, (62), was appointed to the board in 1983. He is Chairman of Alliance Trust and is a director of a number of companies including Bank of Scotland, British Alcan Aluminium, Sidlaw Group and Standard Life Assurance Company.

Robin Young, CA, (63), was appointed to the board in 1968. He was a director of Martin Currie Investment Management Limited and is on the board of Scottish Equitable Life Assurance Society, The Securities Trust of Scotland and other companies.

THE EDINBURGH INVESTMENT TRUST plc

REPORT AND ACCOUNTS

1990

Directors
Ivor R Guild CBE WS CHAIRMAN
W G Cochrane CA
P H Dunn LLB FCA FCIS
John Elder FFA
Sir David Nickson KBE DL
Sir Robert Smith CBE MA LLD CA
Robin Young CA

Registered Office
Dunedin House
25 Ravelston Terrace
Edinburgh EH4 3EX
Telephone 031-315 2500
Registered No. 1836 Scotland

Registrars and Transfer Office
Bank of Scotland
26A York Place
Edinburgh EH1 3EY
Telephone 031-243 5191

Auditors
KPMG Peat Marwick McLintock

Manager and Secretary

DUNEDIN
FUND MANAGERS LTD
Dunedin House, 25 Ravelston Terrace, Edinburgh EH4 3EX
Tel: 031 315 2500 Telex 72229 Fax. 031-315 2222
Member of IMRO

DIRECTORS' REPORT

The directors have pleasure in submitting to shareholders the accounts for the year to 31 March 1990.

Income

The gross income for the year was £43,759,000 compared with £34,541,000 last year. The net revenue available for payment of the ordinary dividend was £22,520,000 compared with £19,372,000 last year, giving earnings per ordinary share of 7·84p compared with 6·76p last year.

Dividend

A final dividend of 4·5p is recommended for payment on 5 July 1990 to shareholders on the register on 7 June 1990. This together with the interim dividend declared during the year makes a total of 7·0p per ordinary share costing £20,112,000 (1989—5·4p costing £15,479,000). This leaves £2,408,000 to be transferred to revenue reserve.

Valuation

The valuation of investments at 31 March 1990 was £763,417,000. As a result ordinary shareholders' funds amounted to £748,558,000 after deducting prior charges at book value, giving a net asset value of 260·5p per share (1989—232·2p).

Increase in Issued Share Capital

On 31 July 1989, 663,550 warrants to subscribe for ordinary shares were exercised resulting in an increase in share capital amounting to £166,000. Further details of the increase in share capital and outstanding warrants are given in note 15 on page 26.

Principal activity and status

The business of the company is that of an investment company within the meaning of Section 266 of the Companies Act 1985 and it qualifies as an investment trust within the meaning of the Income and Corporation Taxes Act 1988 as amended. Inland Revenue approval for such treatment has been given up to 31 March 1989 and the company has subsequently directed its affairs so as to enable it to continue to seek such approval. The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Review of the Business

A review of the business is given in the Chairman's statement on page 3 and the Manager's review on page 6.

Directors

The directors of the company during the year to 31 March 1990 and their interests in the ordinary shares and warrants of the company as defined by Schedule 7 to the Companies Act 1985 are shown below:

	Beneficial Holdings				*Trustee Holdings*			
	Number of Shares		*Number of Warrants*		*Number of Shares*		*Number of Warrants*	
	31.3.90	[illegible]	31.3.90	[illegible]	31.3.90	[illegible]	31.3.90	[illegible]
I R Guild	53,703	[illegible]	—	[illegible]	284,796	[illegible]	26,194	[illegible]
W G Cochrane	68,200	[illegible]	—	[illegible]	9,000	[illegible]	—	
P H Dunn	3,500	[illegible]	—		—		—	
John Elder	2,640	[illegible]	264	[illegible]	—		—	
Sir David Nickson	40,000	[illegible]	—		3,900		—	
Sir Robert Smith	5,000	[illegible]	—		—		—	
Robin Young	58,461	[illegible]	—	[illegible]	47,958	[illegible]	3,121	[illegible]

There have been no changes in the above holdings between 1 April 1990 and 21 May 1990.

Sir David Nickson and Sir Robert Smith retire from the board by rotation and are eligible for re-election. Resolutions to this effect will be proposed at the Annual General Meeting.

Contracts of Service

No director has a service contract with the company.

No contracts of significance in which any director has a financial interest were in existence at any time during the year except for the management agreement with Dunedin Fund Managers Limited in which Mr W G Cochrane has an interest by reason of his employment with that company.

Dunedin Fund Managers Limited

Dunedin Fund Managers Limited is the investment manager and Secretary of the company and receives an annual fee of 0·25 per cent of the assets of the company. Other than in exceptional circumstances the contract is terminable on three years' notice.

Notifiable Interest

As at 21 May 1990 the undernoted shareholders had reported an interest of 5 per cent or more in the company's ordinary share capital:

	Number of ordinary shares	*Percentage of that class of stock*
The Standard Life Assurance Company	34,751,823	12·10
Prudential Corporation group of companies	21,031,221	7·32

No other shareholder has reported an interest of 5 per cent or more of the share capital of the company prior to that date.

Contributions

In accordance with its normal practice the company has made no contributions to political or charitable organisations during the year.

Auditors

On 1 January 1990 the company's auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, resolutions concerning the re-appointment of KPMG Peat Marwick McLintock as auditors and their remuneration will be submitted to the Annual General Meeting.

By Order of the Board
Dunedin Fund Managers Limited Secretary
Edinburgh, 21 May 1990

AUDITORS' REPORT TO THE MEMBERS

Edinburgh, 21 May 1990—We have audited the accounts on pages 18 to 28 in accordance with Auditing Standards.

In our opinion these accounts give a true and fair view of the state of the company's affairs as at 31 March 1990 and of its surplus and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock
Chartered Accountants

REVENUE ACCOUNT

FOR THE YEAR TO 31 MARCH

	Note	1990 £000	1989 £000
Revenue			
Income from investments	2	33,205	30,260
Interest receivable on short term deposits		10,162	3,814
Underwriting commission		146	176
Rental income		246	291
		43,759	34,541
Less			
Administrative expenses	3	2,875	2,341
Interest payable	4	8,465	7,358
		11,340	9,699
Surplus before taxation		32,419	24,842
Taxation	5	9,837	5,408
Surplus after taxation		22,582	19,434
Dividends			
On preferred stock		62	62
On ordinary shares	6	20,112	17,486
		20,174	17,548
Transferred to Revenue Reserve	16	2,408	1,886
Earnings per ordinary share	7	7·84p	6·76p
Dividend per ordinary share	6	7·00p	5·40p
Special centenary dividend	6	—	0·70p

The notes on pages 22 to 27 form part of these Accounts.

BALANCE SHEET

		1990 £000	£000
Fixed assets			
Tangible assets			3,933
Investments			763,417
			767,350
Current assets			
Debtors		13,480	
Cash and short-term deposits		115,657	
		129,137	
Less			
Creditors:			
Amounts falling due within one year		40,589	
Net current assets/(liabilities)			88,548
Total assets less current liabilities			855,898
Less			
Creditors:			
Amounts falling due after more than one year	12		105,640
			750,258
Capital and reserves			
Called up share capital			
Preferred stock			1,700
Ordinary shares		71,829	
Capital reserves			
Realised reserves		470,722	
Unrealised appreciation		197,063	
Revenue reserve		8,944	
Ordinary shareholders' funds			748,558
			750,258

The notes on pages 22 to 27 form part of these Accounts.

Director I. R. Gould

Director

NOTES ON THE ACCOUNTS

1 Accounting basis and policies

The accounts have been prepared under the historical cost convention modified by the revaluation of investments, in accordance with Section 228 of and Schedule 4 to the Companies Act 1985, and on the assumption that approval as an investment trust will continue to be granted.

(a) **Revenue**—Dividends, together with imputed tax credits where applicable, are included in revenue by reference to the date on which they are receivable including income on securities covered by the Finance Act 1985. Where a security of this type is purchased or sold, no adjustment is made to income to reflect the accrued interest in the transaction. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on temporary deposits and interest payable are dealt with on an accruals basis.

(b) **Investments**—Listed investments are valued at market prices, foreign currencies being converted at the rates of exchange ruling at the relevant balance sheet date. Unlisted investments which include investments traded on the Unlisted Securities Market or under Rule 535 (2) or (3) of The Stock Exchange are valued by the directors taking account of latest dealing prices, brokers' valuations and other available accounting information as appropriate.

(c) **Capital reserve**—Gains and losses on realisation of investments and currency are dealt with in the capital reserve.

(d) **Unrealised appreciation reserve**—Increases and decreases in the valuation of investments held are dealt with in this reserve. Provision is also made against unrealised appreciation for changes in the value of the Euro-currency loans outstanding at the year end arising from exchange fluctuations.

(e) **Euro-currency loans**—These loans are converted at the rate of exchange ruling at the relevant balance sheet date.

(f) **Taxation**—ACT on dividends paid or proposed is included in current taxation payable and recoverable only to the extent that it is not covered by tax credits on franked investment income received up to the balance sheet date. Deferred tax is provided for short-term timing differences. Provision is made, or credit taken, in the undistributable reserves for any tax liability or relief arising under the Accrued Income Scheme in terms of the Finance Act 1985.

2 Income from investments

		1990		1989	
		Franked £000	Unfranked £000	Franked £000	Unfranked £000
Dividends					
Listed investments	—UK	20,662	227	17,858	124
	—Overseas	—	5,656	—	4,276
Unlisted investments	—UK	1,859	—	405	—
	—Overseas	—	298	—	66
Interest					
Listed investments	—UK	—	2,593	—	7,385
	—Overseas	—	382		75
Unlisted investments	—UK	—	1,528		71
		22,521	10,684	18,263	11,997

3 Administrative expenses

	1990 £000	1989 £000
Management and secretarial fee	1,914	1,569
Other expenses including irrecoverable VAT	908	722
Auditors' remuneration	10	10
Directors' fees:		
As directors	37	45
Pension to former director for his services as manager	6	5
	2,875	2,341

Particulars of directors' remuneration excluding pension contributions:	1990	1989
Chairman and highest paid director	£7,500	£7,500
Other directors £0–£5,000	8	5

One director has waived fees of £426 (1989—£5,000)

As further explained in the Directors' Report, Mr W G Cochrane is employed by Dunedin Fund Managers Limited, an associated company, and received emoluments including pension contributions of £121,028 from that company. As a consequence of the sale of part of this company's holding in DFM Holdings Limited to The British Linen Bank Limited, payments were made to directors and senior managers of Dunedin Fund Managers Limited in exchange for their waiving their entitlement under a share option scheme. Mr Cochrane received £228,149 from the company as a result of this transaction.

4 Interest payable

	1990 £000	1989 £000
Interest payable on:		
Loans repayable within five years	1,717	2,078
Debentures	6,677	4,975
Bank overdraft	71	305
	8,465	7,358

5 Taxation

	1990 £000	1989 £000
UK Corporation Tax at 35 per cent (1989—35 per cent) on the profits for the year	4,217	1,760
Less: Overseas tax relief	708	519
Overprovisions in previous years	10	926
	3,499	315
Add: Overseas tax	708	519
Tax attributable to franked investment income	5,630	4,574
	9,837	5,408

6 Dividends

	1990
	£000
Dividends on the ordinary shares for the year are as follows.	
Interim dividend of 2·50p per share (1989—2·15p) paid 1 December 1989	7,183
Final dividend of 4·50p per share (1989—3·25p) payable 5 July 1990	12,929
Special Centenary dividend of nil p per share (1989—0·7p)	—
	20,112

7 Earnings per ordinary share

The calculation of earnings per ordinary share of 7·84p (1989—6·76p) is based upon the following figures:

	1990
Number of ordinary shares in issue	287,314,410
Earnings	£22,520,000

8 Tangible fixed assets

The freehold property at 25 Ravelston Terrace, Edinburgh, from which the company operates, is let to Dunedin Fund Managers Limited under a 25-year lease at an open market rent and is shown at cost, including refurbishment expenditure, of £3,933,000 (1989—£3,910,000). The directors consider that a charge to depreciation of the buildings is not required as the buildings are maintained to such a standard that residual value is not less than book cost and any depreciation would be immaterial. The property has been professionally valued at a figure substantially higher than cost.

9 Fixed asset investments

	Listed	*Unlisted*	*Subsidiaries*	*Total*
	£000	£000	£000	£000
Valuation at 31 March 1989	684,520	36,429	519	721,468
Unrealised appreciation at 31 March 1989	(177,205)	(2,116)	120	(179,201)
Book cost at 31 March 1989	507,315	34,313	639	542,267
Additions at cost	275,563	4,900	—	280,463
Disposals at cost	(248,791)	(6,078)	(153)	(255,022)
Transfers	3,622	(3,231)	(391)	—
Book cost at 31 March 1990	537,709	29,904	95	567,708
Unrealised appreciation at 31 March 1990	175,669	20,135	(95)	195,709
Valuation at 31 March 1990	713,378	50,039	—	763,417

Listed investments.	
Listed on British Stock Exchange	444,646
Listed on other recognised stock exchanges	255,163
Other quoted investments	13,569
	713,378

10 Subsidiaries

On 31 October 1989 the company sold 1,456,383 ordinary shares in DFM Holdings Limited ("Holdings") to The British Linen Bank (BLB) as part of an agreed transaction whereby BLB acquired from the company and other shareholders sufficient shares in Holdings to bring their total to 50·5 per cent of the enlarged ordinary share capital. The company now holds 28·8 per cent of the ordinary share capital of Holdings (1989—57·9 per cent) which is now an associated company.

The subsidiary company which has capital consisting only of ordinary shares and which operates in the United Kingdom is Tarbrem Limited, a company registered in Scotland and engaged in oil and gas exploration. The results of Tarbrem, which is wholly owned, have not been consolidated as the amounts involved are immaterial.

11 Debtors

	1990 £000
Amounts falling due within one year:	
Amounts due from brokers	4,947
Sundry debtors and accrued income	4,206
Amounts owed by subsidiary companies	17
ACT recoverable	4,310
	13,480

12 Creditors

	1990 £000 Due within 1 year	Due after 1 year	Total
Debenture stock (note 13)	—	105,640	105,640
Sterling loans	—	—	—
Euro-currency loans (note 14)	12,151	—	12,151
Amounts due to brokers	3,771	—	3,771
Bank overdraft	—	—	—
Taxation	8,526	—	8,526
Other creditors	93	—	93
Accruals	3,119	—	3,119
Final dividend	12,929	—	12,929
	40,589	105,640	146,229

13 Debenture stock

	1990 £000
Secured by a floating charge over the assets of the company	
Repayable after the expiry of five years or later:	
[illegible]½ per cent debenture stock 1995	4,000
3¾ per cent debenture stock 1998	950
5¾ per cent debenture stock 1998	690
11½ per cent debenture stock 2014	100,000
	105,640

A further tranche of £50,000,000 11½ per cent debenture stock 2014 was created by a resolution of the board of directors passed on 19 December 1989 and was later issued at a price of £100·517 per cent.

The directors believed that it was appropriate to introduce a further element of gearing in order to promote the company's objectives of achieving long term capital growth at a faster rate than the FT Actuaries All Share Index, combined with a rising dividend. The proceeds of the issue will be applied at such times as the directors consider expedient in expanding the portfolio.

14 Euro-currency loans

Details of the loans outstanding at 31 March 1990 were as follows:

Amount	*Per cent*	*Interest fixed to*
US$20,000,000	$8\frac{11}{16}$	30 April 1990

The maximum amounts drawn down during the year to 31 March 1990 were equivalent to US$20,000,000, ¥1,819,000,000 and DM16,400,000.

15 Called up share capital

	1990	[illegible]
	£000	[illegible]
Authorised:		
3·65 per cent preferred stock	1,700	[illegible]
316,099,929 (1989—316,099,929) ordinary shares 25p	79,025	[illegible]
	80,725	[illegible]
Issued:		
3·65 per cent preferred stock	1,700	[illegible]
287,314,410 (1989—286,650,860) ordinary shares 25p	71,829	[illegible]
	73,529	[illegible]

Warrants:

Ordinary shareholders on the register on 12 May 1983 were issued with warrants to subscribe for ordinary shares in the proportion of one warrant for every ten shares held. Warrant holders are entitled to subscribe for ordinary shares in the company on the basis of one warrant for one ordinary share. The warrants may be exercised on 31 July in any of the years 1984 to 1990 at a price of 111p payable in full on application. On 31 July 1989 663,550 warrants were exercised.

During the year the company purchased on The Stock Exchange 875,000 warrants to subscribe for ordinary shares which have been cancelled. The number of warrants outstanding at 31 March 1990 was 9,706,572 (1989—11,245,122).

16 Movements in reserves

Realised capital reserves	£000	£000
Balance at 31 March 1989		496,875
Net profits on realisations during year		65,585
Net losses on conversion of overseas cash balances and other currency transactions		(1,243)
Share premium on warrants exercised		570
		471,787
Less:		
Cost of warrants purchased and subsequently cancelled	972	
Sundry capital adjustments	93	
		1,065
Balance at 31 March 1990		470,722
Comprising:		
Share premium account		1,044
Other realised capital reserves		469,678
		470,722

Unrealised appreciation	**[illegible]**
Balance at 31 March 1989	**[illegible]**
Increase in valuation of investments	**[illegible]**
Movement in exchange difference on Euro-currency loans and forward currency transactions	**[illegible]**
Balance at 31 March 1990	**[illegible]**
Revenue reserve	
B 'ance at 31 March 1989	**[illegible]**
R .ained profit for the year	**[illegible]**
Balance at 31 March 1990	**[illegible]**

17 Directors' material interests

Mr I. R. Guild is a partner in the firm of Shepherd & Wedderburn, W.S., the company's solicitors, who received fees from the company during the year of £6,265 for work in connection with the lease of Dunedin House and £17,588 for work in connection with the debenture issue

18 Contingent liabilities

There are uncalled liabilities in respect of partly paid shares amounting to £21,877,414 (1989—£6,659,584)

There are contingent liabilities in respect of underwriting agreements amounting to £150,000 (1989—£1,575,000).

19 Approval of accounts

The accounts were approved by the board on 21 May 1990.

20 Significant holdings

In accordance with Section 231 of and Schedule 5 to the Companies Act 1985 the following interests held by the company are disclosed:

Company	*Country of Registration or Incorporation*	*Class of Shares held*	*Percentage holding*	*Total Reserves £000*	*Profit after tax £000*
Amperif Corporation	USA	Preferred Series B	12·50		
DFM Holdings Limited*	Scotland	Ordinary	28·84	3,081	1,468
Dunedin Berkeley Development Capital Limited*	Jersey	Part. Red. Pref.	29·80		
Invergordon Distillers Group plc	Scotland	Cum. Red. Pref.	20·00		
		Conv. Red. Ord.	18·95		
		Ordinary	19·40		
Intermediate Capital Group Limited	England	Conv. Ord.	9·85		
		Pref. (30p paid)	10·70		
North of Scotland Investment Company plc*	Scotland	Ordinary	24·64	6,699	94

*These investments have not been treated as 'associated companies' in the accounts because the directors consider it would be misleading to do so.

SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 MARCH

	1990		1989	
	£000	£000	£000	£000
Liquid funds at 31 March 1989				
Cash on deposit and in banks		25,467		5,663
Debtors and sales for future settlement		6,706		777
Creditors and purchases for future settlement		(4,387)		(2,278)
		27,786		4,162
Movement of funds				
Revenue				
Surplus before tax	32,419		24,842	
Taxation paid	(6,401)		(4,120)	
Dividends paid	(18,568)		(13,388)	
	7,450		7,334	
Capital				
Sterling loan borrowed/(repaid)	(5,000)		5,000	
Purchase of tangible assets	(23)		(48)	
Proceeds of debenture stock issue	60,000		—	
Sales of fixed/variable interest securities	26,960		50,341	
Sales of UK securities	211,294		119,604	
Sales of overseas securities	82,353		126,926	
Net foreign currency repaid	(14,251)		(6,349)	
Purchases of fixed/variable interest securities	—		(35,335)	
Purchases of UK securities	(123,024)		(174,683)	
Purchases of overseas securities	(157,439)		(68,499)	
Purchases of warrants for cancellation	(972)		(632)	
Other capital movements	643		(35)	
	80,541		16,290	
Total increase in funds		87,991		23,624
Liquid funds at 31 March 1990		115,777		27,786
Cash on deposit and in banks	115,657		25,467	
Debtors and sales for future settlement	7,103		6,706	
Creditors and purchases for future settlement	(6,983)		(4,387)	
		115,777		27,786

The above statement details the movements in assets, liabilities and capital which have been made during the year and their resultant effect on net liquid funds. In considering the statement, shareholders should bear in mind that this company is an investment trust with virtually the whole of its assets in the form of marketable securities; thus the change in the net liquid position as shown above is of much less significance than the change in the total assets shown in the balance sheet.

NOTICE OF MEETING

Notice is hereby given that the one hundred and first Annual General Meeting of The Edinburgh Investment Trust plc will be held in the Caledonian Hotel, Princes Street, Edinburgh, on Wednesday, 4 July 1990 at noon, for the following purposes:

1. To receive the report of the directors and the accounts for the year to 31 March 1990 and to declare a final dividend on the ordinary shares.
2. To re-elect Sir David Nickson as a director of the company.
3. To re-elect Sir Robert Smith as a director of the company.
4. To re-appoint KPMG Peat Marwick McLintock as auditors of the company.
5. To authorise the board to fix the remuneration of the auditors for the year to 31 March 1991.
6. To consider, and if thought fit, to pass the following resolution:
   "That with effect from 1 April 1990, the directors' remuneration specified in Article 83 of the Articles of Association of the company be increased so that each director will receive £7,000 per annum with an additional £3,500 per annum for the Chairman".
7. To transact any other ordinary business of the company.

By order of the board
Dunedin Fund Managers Ltd, Secretary
Registered office:
Dunedin House,
25 Ravelston Terrace,
Edinburgh EH4 3EX
1 June 1990

Notes

1. Only holders of ordinary shares are entitled to attend and vote at the meeting. Any member entitled to attend and vote at the meeting may appoint another person (whether a member of the company or not) as his proxy to attend and vote in his stead. Proxies must be lodged at the company's registrars, Bank of Scotland, Registrar Department, 26a York Place, Edinburgh EH1 3EY, not less than 48 hours before the time appointed for the meeting.

2. In accordance with Stock Exchange requirements, a statement giving details of all transactions of each director and of his family interests in ordinary shares of the company during the year to 31 May 1990 will be available for inspection at the registered office of the company during normal business hours from the date of this notice until the conclusion of the Annual General Meeting.

Front Cover Photograph: Paul Tomkins, Scottish Tourist Board